

SENATE BILL REPORT

SB 5496

As Reported By Senate Committee On:
Agriculture & International Trade, February 7, 2001
Ways & Means, June 7, 2001

Title: An act relating to tax rate modifications for animal health products.

Brief Description: Reducing the tax on health products for animals.

Sponsors: Senators Rasmussen, Swecker and Honeyford.

Brief History:

Committee Activity: Agriculture & International Trade: 2/2/01, 2/7/01 [DP].
Ways & Means: 5/22/01, 6/7/01 [DPS].

SENATE COMMITTEE ON AGRICULTURE & INTERNATIONAL TRADE

Majority Report: Do pass.

Signed by Senators Rasmussen, Chair; Shin, Vice Chair; Parlette, Sheahan, Snyder and Swecker.

Staff: Bob Lee (786-7404)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5496 be substituted therefor, and the substitute bill do pass.

Signed by Senators Brown, Chair; Constantine, Vice Chair; Hewitt, Honeyford, Long, Parlette, Rasmussen, Regala, Roach, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Thibaudeau, Winsley and Zarelli.

Staff: Terry Wilson (786-7433)

Background: The sales tax is paid on each retail sale of most articles of tangible personal property and certain services. The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms.

Sales of feed, seed, fertilizer, pollination agents, and chemical sprays to farmers are exempt from sales and use taxes. Animal pharmaceuticals are subject to retail sales and use taxes, even if purchased by farmers.

Summary of Substitute Bill: Sales to farmers or to veterinarians of animal pharmaceuticals approved by the United States Department of Agriculture or by the United States Food and Drug Administration are exempt from sales tax if the pharmaceutical is to be administered

to an animal that is raised by a farmer for the purpose of producing for sale an agricultural product.

Substitute Bill Compared to Original Bill: The original bill provided an exemption from retail sales and use tax for sales to farmers of substances used to optimize animal production, vaccinations, antibiotics, parasite treatment compounds, federally approved animal pharmaceuticals, and other health products for animals.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on August 1, 2001.

Testimony For (Agriculture & International Trade): Several inputs to the production of agricultural products are exempt from sales tax including feed sold to animals. The additional cost of paying sales tax on pharmaceuticals is substantial. This bill will help local feed stores to compete with those out-of-state catalog stores that are selling pharmaceuticals without collecting the sales tax. This bill is needed to make our state competitive with other states that produce livestock.

Testimony Against (Agriculture & International Trade): None.

Testified (Agriculture & International Trade): Jim Zimmerman, Troutlodge, WA Cattlemen's Assn., WA State Grange (pro); Chris Cheney, Dairy Federation (pro); Robert Dickey, Lewis County Cattlemen's (pro).

Testimony For (Ways & Means): A lot of products are used on the farm. Small producers cannot afford expensive drugs that are necessary to prevent many cattle from dying. The sales tax discourages good animal husbandry. Many drugs are bought mail order, but some drugs are only available through a veterinarian. This bill allows farmers to buy locally rather than mail order. Agriculture is in dire straits. Those farmers that have a market are becoming non-competitive. California eliminated the sales tax on this two years ago. This levels the playing field.

Testimony Against (Ways & Means): None.

Testified (Ways & Means): PRO: Linda Johnson, WA Farm Bureau; Robert Dickey, Lewis County Cattlemen's Assn.; Greg Hanon, WA State Veterinary Medical Assn.; Chris Cheney, Jay Gordon, WA State Dairy Federation; Pete Granger, WA Fish Growers Assn.